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Testimony of Representative Brandon McGee, 5th District

Commerce Public Hearing

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HB 5982 An Act Concerning Additional Forms Of Assistance In Enterprise Zones

Small businesses are part of the life blood of the city. Small businesses generate economic vitality, provide resources for residents and visitors of the city, and they stimulate economic growth. They are fundamental to the overall success of an urban area and thus, it is vital that we support our small businesses by helping them to get access to resources they need to sustain and growth.

The current state programs offered have been successful with growing businesses throughout the state. However, here in Hartford, the location of the first enterprise zone in the entire state, our businesses need access to resources that they often don't quality for. The programs offered are often tailored more towards larger businesses that have more human and financial capital than small businesses. Laws structured around tax incentives are often tailored to manufacturing firms which don't fit the portfolio of many small businesses. And unfortunately, it is the small businesses that have the highest turnover rates in the economic market due to a lack of capital to develop and grow their businesses.

Northeast Neighborhood of Hartford

Just by way of background, in my district, I am currently working in partnership with neighborhood groups and the City of Hartford to revitalize the commercial corridor of the Northeast Neighborhood that has seen years of economic decline and distress. Through resources provided by the city, we have hired a firm to conduct a business survey in our neighborhood to understand what our businesses need and how we can offer better support to our businesses.

By understanding their needs we can strengthen community partnerships and advocate for resources that can be better tailored to fit their needs.

Out of this initiative, internet access was discovered to be a major problem. The businesses in the neighborhood do not have access to what has become a basic need to run any business in our economy today. And in order to fulfill this need for their business they would be at a cost that many of the smaller guys in our economy cannot afford. This is just an example to demonstrate the steps we have taken to support our small businesses and to illustrate why they need us to advocate for them to help them to sustain and grow.

Current Economic Development Programs

Currently, economic development programs generally fall into two categories: (1) programs available statewide (like Small Business Express), and (2) programs available in designated areas (like the property tax incentives available to businesses in enterprise zones).

The enterprise zone itself is simply a *designated geographic area*. Zones had to meet certain population and poverty criteria to be designated. Once an area is designated as an enterprise zone, businesses in that zone qualify for certain incentives. Generally, incentives available to businesses in enterprise zones are limited to property and corporate tax incentives (rather than grants or loans), and businesses must do something in order to receive them (generally, improve property). These tax incentives were originally intended to incentivize businesses to locate or expand in an economically distressed area.

The needs of the businesses in Hartford that have been identified by the business survey are not addressed by the incentives targeted specifically for enterprise zones, and meeting those needs was not really a goal of the original program. However, existing state programs, such as Small Business Express, may address those needs (could do so with a few modifications). Given that the enterprise zone is simply a geographic area, it would be possible to target a portion of funds or assistance of an existing program that is available statewide, such as Small Business Express, to businesses in enterprise zones. It would also be possible to alter criteria to make it easier for businesses in enterprise zones to qualify for assistance under statewide programs or allow businesses in enterprise zones to use such funds for a wider range of purposes.

Modifications to the Small Business Express Program

The Small Business Express (Express) program provides eligible small businesses with grants and loans in amounts ranging from \$10,000-\$300,000. Funds received under the program can be used for a variety of purposes, including training, working capital, and equipment purchases.

One option is to have some of the funds from these programs set aside for enterprise zones and other inner city areas, such as Hartford. This program should, then be marketed to businesses located in enterprise zones and other inner-city areas, such as Hartford so that our businesses will have greater access to this tremendous resource.

Small businesses are often at a disadvantage from the beginning. Many of the businesses struggle with startup and they are challenged with resources they need to run the administrative side of their business. A program like this tailored to fit the needs of our small businesses in Hartford will help to give them the resources they need for business development that would give them access to training and mentoring to teach them how to structure their businesses. This program can also help provide capital to build their businesses. Once businesses are initiated, having access to a pool of dollars from this type of program can help them to retain their location within our cities by giving them dollars to expand their capital so that we can make sure we are able to keep them within our cities.

Under this Express program we can also develop a voucher program that will help small businesses located in these areas to have access to experts at universities, nonprofits, and other organizations for technical assistance. The voucher program under the Manufacturing Innovation Fund created last year, could be the model. The Connecticut Center for Advanced Technology recently launched the voucher program for manufactures. Our small businesses along our main streets and commercial corridors in our neighborhoods can benefit remarkably from this type of program.

I urge you to strongly consider the ideas that have been shared with you today. In order to grow our economy it is important that we set our businesses up for success. Small businesses are often located in the heart of our neighborhoods. Making them successful will enhance the quality of life of our neighborhoods. Successful small businesses will also make our city a healthier and more attractive place to do business, to live and to visit. This not only an advantageous opportunity for the City of Hartford, it is an advantageous opportunity for the region. Hartford is the nucleus of the region. When Hartford does better the region will be a healthier place and stronger place for business owners and residents alike. And lastly, it is imperative that we grow our small businesses to make cities like Hartford a sustainable place for the future. We must prepare today for the future we will leave behind. Our children depend on it.